

# City of Detroit

## CITY COUNCIL

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TO: The Honorable City Council

FROM: David Whitaker  
Julianne Pastula

DATE: February 13, 2006

RE: **PETITION OF MICHIGAN AFSCME COUNCIL 25 (#0097) REGARDING  
CONTRACT WITH THE WACKENHUT CORP.**

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At the Honorable City Council's request, the Research & Analysis Division (RAD) has researched the background of The Wackenhut Corporation. This report begins with a discussion regarding the company (inclusive of the parent corporation in Europe, the U.S. division and its subsidiaries), global and national union issues as well as relevant sections of the National Labor Relations Act.

### I. Company Information

The parent corporation, Group 4 Securicor (G4S) was formed by the July 2004 merger of the Danish security firm Group 4 A/S (formerly known as Group 4 Falck) and its United Kingdom rival, Securicor. G4S operates in more than 100 countries and is the world's largest security firm.<sup>1</sup> In 2004, sales were in excess of \$6 billion USD, with a net income of \$196 million USD. The company employs over 300,000 people worldwide. In 2004, its workforce and sales grew by 33%.<sup>2</sup> G4S services include provision of manned security, investigative services, operation of prisons, cash transport services, installation and monitoring of security systems. It is based in Gatwick, West Sussex, United Kingdom. Its competitors include: Securitas, Ingersoll-Rand Security Technologies, Brink's, and Tyco Fire & Security.

The Wackenhut Corporation (Corporation) is the U.S. based division of G4S. It provides contractual security services to major corporations, government agencies, industrial and commercial customers. These services include: manned security, investigative services, background checks, hotline programs, security audits, security assessments, and emergency protection. The Corporation is incorporated in Florida and its headquarters is located in Palm Beach Gardens. Its subsidiaries are: Wackenhut Nuclear Services Division, Wackenhut Services, Inc., and the Wackenhut Training Institute. The Corporation provides security and related services to its commercial and industrial customers, the Nuclear Division provides

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<sup>1</sup> Securitas is listed as the second largest international security firm.

<sup>2</sup> One year sales growth was 33.8%. One-year employee growth was 32.9%.

services to nuclear facilities, WSI is the government services division and is responsible for large government contracts, and the Training Institute provides security-related instruction to Corporation employees and outside agencies. Its competitors include: AFI International, Kroll, Guardian, Command Security and Guardsmark. WSI reported in 2005: national sales of \$434 million USD, 5,500 employees and more than 75 locations nationwide. The Corporation has received and maintained SAFETY certification from the U.S. Department of Homeland Security. Qualification for this certification requires analysis of hiring, training and recruiting practices.

The forerunner of The Wackenhut Corporation, Special Agent Investigators, was founded in 1954 by three former FBI agents. In 1958, George Wackenhut bought out his partners and incorporated the company as The Wackenhut Corporation. The company has expanded both nationally and internationally since its inception. In 2002, it was acquired by Group 4 Falck and became a subsidiary of G4S as a result of the 2004 merger between Group 4 Falck and Securicor. At the time it was purchased by G4S, Wackenhut Corporation was operating in 54 countries, had \$2.8 billion dollars in revenue and its founder, George Wackenhut, still controlled more than 50% of its stock.

The Wackenhut Corporation has been licensed and operating in Michigan since the early 1970s. The Nuclear Services Division, Wackenhut Services, Inc. (WSI) Division and the Corporation itself all maintain a presence in Michigan. Notably, the Corporation is ISO 9000 registered in Michigan<sup>3</sup>. The regional office is located in Columbus, Ohio, and it maintains area offices in Grand Rapids, Detroit and Livonia. The Corporation generated approximately \$31 million USD operating in Michigan in 2005, contrasted with approximately \$27 million in 2004. The Corporation employed approximately 1,000 people in Michigan in 2005.

## **II. Global and National Union Issues**

G4S has a very mixed reputation across the globe regarding labor rights and recognizing worker rights to join unions. In the United Kingdom, G4S and its subsidiaries have had Recognition Agreements with the GMB trade union<sup>4</sup> for a number of years in aviation security, rail security, cash transport and prisoner transit contracts. On February 1, 2006, the Recognition Agreement was extended to include door security workers. This extension makes the company a unionized concern for the approximately 15,500 security offices based in the United Kingdom. According to the GMB trade union, G4S has worked closely with the trade union to improve working conditions and actively participated in negotiating the extension of the Recognition Agreement.

Protesters picketed the 2005 G4S annual meeting in London claiming that the company was not fulfilling certain employment requirements by driving down wages and compromising safety conditions for its employees and the public.

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<sup>3</sup> To qualify for ISO 9000 registration, companies must comport with quality standards subject to independent 3<sup>rd</sup> party audits.

<sup>4</sup> The GMB is Britain's general union and one of its largest with over 600,000 members. It is organized in 34 of the United Kingdom's 50 largest corporations.

The Service Employees International Union (SEIU) has focused on G4S and its subsidiaries in its union rights campaigns and efforts to organize workers in the United States, South Africa, Kenya, Indonesia and the United Kingdom. The SEIU is the most vocal union against G4S and its subsidiaries. The SEIU has requested The Wackenhut Corporation recognize it as the exclusive collective bargaining unit for the company and its subsidiaries. The company alleges the SEIU is trying to recruit its workers in order to increase their membership and refuses to grant exclusive representation to any union<sup>5</sup>. Furthermore, under the National Labor Relations Act, the SEIU is not eligible for certification in regard to Wackenhut employees because the union represents employees in non-guard positions.

The International Union, Security Police and Fire Professionals of America (SPFPA) represents security and police professionals. The SPFPA represents approximately 20% of the Wackenhut workforce, more than any other security company in the United States. The SPFPA represents workers at nuclear facilities, military forts, NASA locations and twenty-four military bases. Locally, they represent workers at Cobo Hall. SPFPA representatives from its headquarters in Roseville, MI, indicated that the union has a good working relationship with Wackenhut. At least 20 Wackenhut locations are affiliated with the SPFPA.

The Wackenhut Corporation and its subsidiaries have been criticized in the media in the past. It is important to note that the majority of the incidents occurred under the unit responsible for prison and corrections contracts<sup>6</sup>. In 1999, the Corporation was fined by a federal court in Alabama for illegal wiretapping and theft of business documents. Additionally, employees of the Nuclear Services Division at Department of Energy sites have been criticized for their treatment of protestors at nuclear facilities. The company provided security services during the strike at the Pittston mine in Kentucky.

### **III. Relevant Section of the National Labor Relations Act**

The National Labor Relations Board (NLRB) is an independent federal agency established to enforce the National Labor Relations Act (NLRA). 29 U.S.C. §§ 151-169.

The section of the NLRA titled "Representatives and Elections" outlines rules and regulations as well as procedures governing union representation and elections. §159(b)(3) states that the NLRB shall not:

[D]ecide that any unit is appropriate for [collective bargaining] purposes if it includes, together with other employees, any individual employed as a guard to enforce against employees and other persons rules to protect property of the employer or to protect the safety of persons on the employer's premises; **but no labor organization shall be certified as the representative of employees in a bargaining unit of guards if such organization admits to**

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<sup>5</sup> The Wackenhut Corporation has approximately 100 bargaining agreements with 20 unions.

<sup>6</sup> Allegations of abuse were levied against the company in regard to the private correctional facilities it operated in Texas, Florida, New Mexico and Arkansas. The prisons the company privately operated in Louisiana and Michigan were closed due to allegations of physical and sexual abuse.

membership, or is affiliated directly or indirectly with an organization which **admits to membership, employees other than guards.**

(Emphasis added)

In subsection (c)(5) it goes further stating “[i]n determining whether a unit is appropriate for the purposes specified in subsection (b) [of this section] the extent to which the employees have organized shall not be controlling.” Therefore, even if employees affiliate with an organization that does not comport with subsection (b) and cannot be certified by the NLRB, the employer has no duty to recognize or bargain with the unit.

Separation of guard unions from non-guard unions was intentionally done by Congress in passing 29 U.S.C. § 159(b)(3) (quoted above) to ensure that guards would not have a conflict of loyalties during disputes between an employer and a union representing non-guards.

Like the company’s mixed reputation regarding labor issues, cases filed in federal court with Wackenhut as a party are also varied. They range from wrongful discharge actions<sup>7</sup> against the company to lawsuits brought by its own employees suing it based on the company’s policy to actively recruit minority applicants and amending their reduction policies so that minorities would not be disproportionately affected by layoffs<sup>8</sup>.

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<sup>7</sup> The Wackenhut Corporation v. United Plant Guard Workers of America, 126 F.3d 29 (2<sup>nd</sup> Cir. 1997).

<sup>8</sup> Tangren v. Wackenhut Services, Inc., 658 F.2d 705 (9<sup>th</sup> Cir. 1981).